

Public Employees' Retirement Board

A Component Unit of the State of Montana

Report on Investment Activity

INTRODUCTION

The Montana Constitution and various Montana statutes govern the investment activity of the retirement funds administered by the Public Employees' Retirement Board (PERB). The "prudent expert principle," contained in the Montana Constitution and Montana statute, requires the fiduciaries of the funds, including the Montana Board of Investments (BOI), to discharge their duties in the same manner that a prudent expert acting in a fiduciary capacity and under the same circumstances exercises in the conduct of an enterprise of a similar character with similar objectives.

The prudent expert principle permits diversification of the holdings of the fund to minimize the risk of loss and maximize the rate of return. The opportunity to diversify among various asset classes enables a fund to reduce volatility and increase returns.

The BOI prepares and provides information related to the defined benefit plan investments for the PERB. The Montana Public Employee Retirement Administration (MPERA), staff of the PERB, is responsible for the presentation of the report of investment activity.

INVESTMENT GOALS AND OBJECTIVES

The basic goal influencing the investment activity for the PERB is two-fold. The first is to realize compound rates of return sufficient to fund promised benefits. The second is to provide services at the lowest possible cost to employers and members.

The basic investment objective of the BOI is

the achievement of a total rate of return greater than the median performance of its peers over any five-year rolling period, while outperforming the appropriate market indices for each class over the same period.

To calculate the PERB's defined benefit plan investment returns, State Street Bank, BOI's custodial bank and an independent third party, uses the industry performance presentation standards times weighted total rate of return method.

RISK TOLERANCE

In view of the long time horizon of the pension plans and the adequacy of cash flow to meet retiree payments, all funds have an above-average ability to assume risk. For Montana loans, the maximum loan size is \$5 million.

INVESTMENT MANAGEMENT AND RESULTS

The funds of each defined benefit system are invested by the BOI as part of the unified investment program. The portfolio is broadly diversified between the various asset classes (stocks, bonds, real estate, venture capital, etc.). A complete list of portfolio information is available through the BOI. State Street Bank compiles the rates of return for the investments. The total rates of return for fiscal year 2008 are reported by the BOI for each defined benefit fund. The following tables are a summary of the information received from the BOI.

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS

12-Month Period ending June 30, 2008

Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
Cash Equivalents (STIP)		4.54%	4.28%	4.41%	4.27%
<i>Libor 1 Month</i>	4.10%				
Equities ¹		-11.75%	-11.75%	-11.75%	-11.75%
<i>S&P 1500</i>	-12.72%				
<i>International Equities</i> ²	-7.08%				
Fixed Income ³		5.86%	5.88%	5.89%	5.88%
<i>LB Aggregate Bond</i>	7.13%				
Private Equity ⁴		9.60%	9.60%	9.60%	9.60%
<i>S&P 1500 + 4%</i>	-8.72%				
Real Estate ⁵		4.63%	4.41%	4.41%	4.40%
<i>NFI-ODCE</i> ⁶	6.88%				
Total Plan		-4.86%	-4.85%	-4.86%	-4.84%
<i>Index Composite</i> ⁷		-5.61%	-5.58%	-5.58%	-5.56%

	<u>INDEX</u>	<u>GWPORS</u>	<u>MPORS</u>	<u>FURS</u>	<u>VFCA</u>
Cash Equivalents (STIP)		4.20%	8.48%	4.63%	4.99%
<i>Libor 1 Month</i>	4.10%				
Equities ¹		-11.74%	-11.78%	-11.77%	-11.78%
<i>S&P 500</i>	-12.72%				
<i>International Equities</i> ²	-7.08%				
Fixed Income ³		5.88%	5.89%	5.88%	5.89%
<i>LB Aggregate Bond</i>	7.13%				
Private Equity ⁴		9.60%	9.60%	9.60%	9.60%
<i>S&P 1500 + 4%</i>	-8.72%				
Real Estate ⁵		4.40%	4.41%	4.40%	4.41%
<i>NFI-ODCE</i> ⁶	6.88%				
Total Plan		-4.80%	-5.01%	-4.91%	-4.90%
<i>Index Composite</i> ⁷		-5.51%	-5.75%	-5.66%	-5.59%

¹ Return is a dollar weighted combination of Domestic and International Common Stock

² Montana International Equity blended benchmark

³ Includes Retirement Fund Bond Pool and Mortgages

⁴ Includes Montana Private Equity Pool

⁵ Includes Direct and Pooled Real Estate.

⁶ The NFI-ODCE (NCREIF Fund Index - Open-End Diversified Core Equity) is a fund-level capitalization weighted, time-weighted return index and includes property investments at ownership share, cash balances and leverage.

⁷ An Index Composite paralleling the Fund's Asset Allocation at market value

The rates of return are provided by State Street Bank, the BOI's custodial bank for the plans, and are reported net of all management fees and expenses.

INVESTMENT SECTION

TOTAL RATES OF ANNUALIZED RETURNS BY ASSET CLASS

Three-Year Period ending June 30, 2008

Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
Cash Equivalents (STIP)		4.77%	4.69%	4.73%	4.69%
<i>Libor 1 Month</i>	4.66%				
Equities ¹		6.93%	6.91%	6.93%	6.90%
<i>S&P 1500</i>	4.65%				
<i>International Equities</i> ²	15.04%				
Fixed Income ³		4.39%	4.33%	4.33%	4.33%
<i>LB Aggregate Bond</i>	4.09%				
Private Equity ⁴		16.69%	16.69	16.69%	16.69%
<i>S&P 1500 + 4%</i>	8.65%				
Real Estate ⁵		5.67%			
<i>NFI-ODCE</i> ⁶	13.71%				
Total Plan		6.97%	6.93%	6.96%	6.91%
<i>Index Composite</i>⁷		6.58%	6.53%	6.57%	6.52%

	<u>INDEX</u>	<u>GWPORS</u>	<u>MPORS</u>	<u>FURS</u>	<u>VFCA</u>
Cash Equivalents (STIP)		4.66%	6.08%	4.80%	4.93%
<i>Libor 1 Month</i>	4.66%				
Equities ¹		6.93%	6.91%	6.91%	7.00%
<i>S&P 500</i>	4.65%				
<i>International Equities</i> ²	15.04%				
Fixed Income ³		4.33%	4.33%	4.33%	4.33%
<i>LB Aggregate Bond</i>	4.09%				
Private Equity ⁴		16.69%	16.69%	16.69%	16.69%
<i>S&P 1500 + 4%</i>	8.65%				
Real Estate ⁵					
<i>NFI-ODCE</i> ⁶	13.71%				
Total Plan		6.82%	6.86%	6.89%	6.89%
<i>Index Composite</i>⁷		6.42%	6.45%	6.49%	6.50%

¹ Return is a dollar weighted combination of Domestic and International Common Stock

² Montana International Equity blended benchmark

³ Includes Retirement Fund Bond Pool and Mortgages

⁴ Includes Montana Private Equity Pool

⁵ Includes Direct and Pooled Real Estate.

⁶ The NFI-ODCE (NCREIF Fund Index - Open-End Diversified Core Equity) is a fund-level capitalization weighted, time-weighted return index and includes property investments at ownership share, cash balances and leverage.

⁷ An Index Composite paralleling the Fund's Asset Allocation at market value

The rates of return are provided by State Street Bank, the BOI's custodial bank for the plans, and are reported net of all management fees and expenses.

INVESTMENT SECTION

TOTAL RATES OF ANNUALIZED RETURNS BY ASSET CLASS

Five-Year Period ending June 30, 2008

Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
Cash Equivalents (STIP)		3.54%	3.48%	3.51%	3.48%
<i>Libor 1 Month</i>	3.51%				
Equities ¹		9.53%	9.51%	9.52%	9.51%
<i>S&P 1500</i>	8.15%				
<i>International Equities</i> ²	18.03%				
Fixed Income ³		4.52%	4.39%	4.39%	4.39%
<i>LB Aggregate Bond</i>	3.86%				
Private Equity ⁴		18.76%	18.76%	18.76%	18.76%
<i>S&P 1500 + 4%</i>	12.15%				
Real Estate ⁵		5.85%			
<i>NFI-ODCE</i> ⁶	13.45%				
Total Plan		8.47%	8.39%	8.44%	8.39%
<i>Index Composite</i>⁷		8.19%	8.11%	8.15%	8.11%

	<u>INDEX</u>	<u>GWPORS</u>	<u>MPORS</u>	<u>FURS</u>	<u>VFCA</u>
Cash Equivalents (STIP)		3.47%	4.31%	3.55%	3.63%
<i>Libor 1 Month</i>	3.51%				
Equities ¹		9.56%	9.51%	9.52%	9.54%
<i>S&P 500</i>	8.15%				
<i>International Equities</i> ²	18.03%				
Fixed Income ³		4.39%	4.39%	4.39%	4.39%
<i>LB Aggregate Bond</i>	3.86%				
Private Equity ⁴		18.76%	18.76%	18.76%	18.76%
<i>S&P 1500 + 4%</i>	12.15%				
Real Estate ⁵					
<i>NFI-ODCE</i> ⁶	13.45%				
Total Plan		8.28%	8.26%	8.29%	8.31%
<i>Index Composite</i>⁷		8.00%	7.97%	8.01%	8.02%

¹ Return is a dollar weighted combination of Domestic and International Common Stock

² Montana International Equity blended benchmark

³ Includes Retirement Fund Bond Pool and Mortgages

⁴ Includes Montana Private Equity Pool

⁵ Includes Direct and Pooled Real Estate.

⁶ The NFI-ODCE (NCREIF Fund Index - Open-End Diversified Core Equity) is a fund-level capitalization weighted, time-weighted return index and includes property investments at ownership share, cash balances and leverage.

⁷ An Index Composite paralleling the Fund's Asset Allocation at market value

The rates of return are provided by State Street Bank, the BOI's custodial bank for the plans, and are reported net of all management fees and expenses.

INVESTMENT SECTION

TOTAL RATES OF ANNUALIZED RETURNS BY ASSET CLASS

Ten-Year Period ending June 30, 2008

Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
Cash Equivalents (STIP)		4.00%	3.97%	3.98%	3.97%
<i>Libor 1 Month</i>	3.87%				
Equities ¹		3.70%	3.65%	3.65%	3.66%
<i>S&P 1500</i>	3.53%				
<i>International Equities</i> ²	6.45%				
Fixed Income ³		6.31%	6.38%	6.38%	6.38%
<i>LB Aggregate Bond</i>	5.68%				
Private Equity ⁴		20.71%			
<i>S&P 1500 + 4%</i>	7.53%				
Real Estate ⁵		7.17%			
<i>NFI-ODCE</i> ⁶	11.15%				
Total Plan		5.47%	5.37%	5.36%	5.40%
<i>Index Composite</i>⁷		5.38%	5.28%	5.26%	5.27%

	<u>INDEX</u>	<u>GWPORS</u>	<u>MPORS</u>	<u>FURS</u>	<u>VFCA</u>
Cash Equivalents (STIP)		3.96%	4.38%	4.01%	4.04%
<i>Libor 1 Month</i>	3.87%				
Equities ¹		3.67%	3.66%	3.67%	3.75%
<i>S&P 500</i>	3.53%				
<i>International Equities</i> ²	6.45%				
Fixed Income ³		6.38%	6.38%	6.38%	6.38%
<i>LB Aggregate Bond</i>	5.68%				
Private Equity ⁴					
<i>S&P 1500 + 4%</i>	7.53%				
Real Estate ⁵					
<i>NFI-ODCE</i> ⁶	11.15%				
Total Plan		5.37%	5.32%	5.33%	6.03%
<i>Index Composite</i>⁷		5.25%	5.20%	5.19%	5.92%

¹ Return is a dollar weighted combination of Domestic and International Common Stock

² Montana International Equity blended benchmark

³ Includes Retirement Fund Bond Pool and Mortgages

⁴ Includes Montana Private Equity Pool

⁵ Includes Direct and Pooled Real Estate.

⁶ The NFI-ODCE (NCREIF Fund Index - Open-End Diversified Core Equity) is a fund-level capitalization weighted, time-weighted return index and includes property investments at ownership share, cash balances and leverage.

⁷ An Index Composite paralleling the Fund's Asset Allocation at market value

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INVESTMENT SECTION

ASSET ALLOCATION

Correct asset allocation is the main determinant of the BOI's success in meeting long-term investment objectives. The asset mix with the highest probability of achieving the

basic investment objective and the actual asset mix for fiscal year 2008 is listed in the following table for the short term investment pool (STIP), fixed income investments, equity investments, and real estate investments.

FY2008 ASSET ALLOCATION

	Investment Objective	Actual Investment		Investment Objective	Actual Investment
PERS-DBRP			GWPORS		
STIP	1% to 5%	1.2%	STIP	1% to 5%	2.7%
Fixed	22% to 32%	26.5%	Fixed	22% to 32%	26.3%
Equity	60% to 70%	67.7%	Equity	60% to 70%	66.8%
Real Estate	4% to 8%	4.5%	Real Estate	4% to 8%	4.3%
JRS			MPORS		
STIP	1% to 5%	1.8%	STIP	1% to 5%	0.0%
Fixed	22% to 32%	26.6%	Fixed	22% to 32%	26.9%
Equity	60% to 70%	67.3%	Equity	60% to 70%	68.7%
Real Estate	4% to 8%	4.3%	Real Estate	4% to 8%	4.3%
HPORS			FURS		
STIP	1% to 5%	1.2%	STIP	1% to 5%	0.9%
Fixed	22% to 32%	26.7%	Fixed	22% to 32%	26.8%
Equity	60% to 70%	67.9%	Equity	60% to 70%	68.0%
Real Estate	4% to 8%	4.3%	Real Estate	4% to 8%	4.3%
SRS			VFCA		
STIP	1% to 5%	1.9%	STIP	1% to 5%	6.0%
Fixed	22% to 32%	26.6%	Fixed	22% to 32%	25.4%
Equity	60% to 70%	67.2%	Equity	60% to 70%	64.6%
Real Estate	4% to 8%	4.3%	Real Estate	4% to 8%	4.0%

INVESTMENT FEES AND COMMISSIONS

Throughout the fiscal year, the investment expense for certain investments (pools, real estate) are netted against the investment earnings. At year end, investment earnings

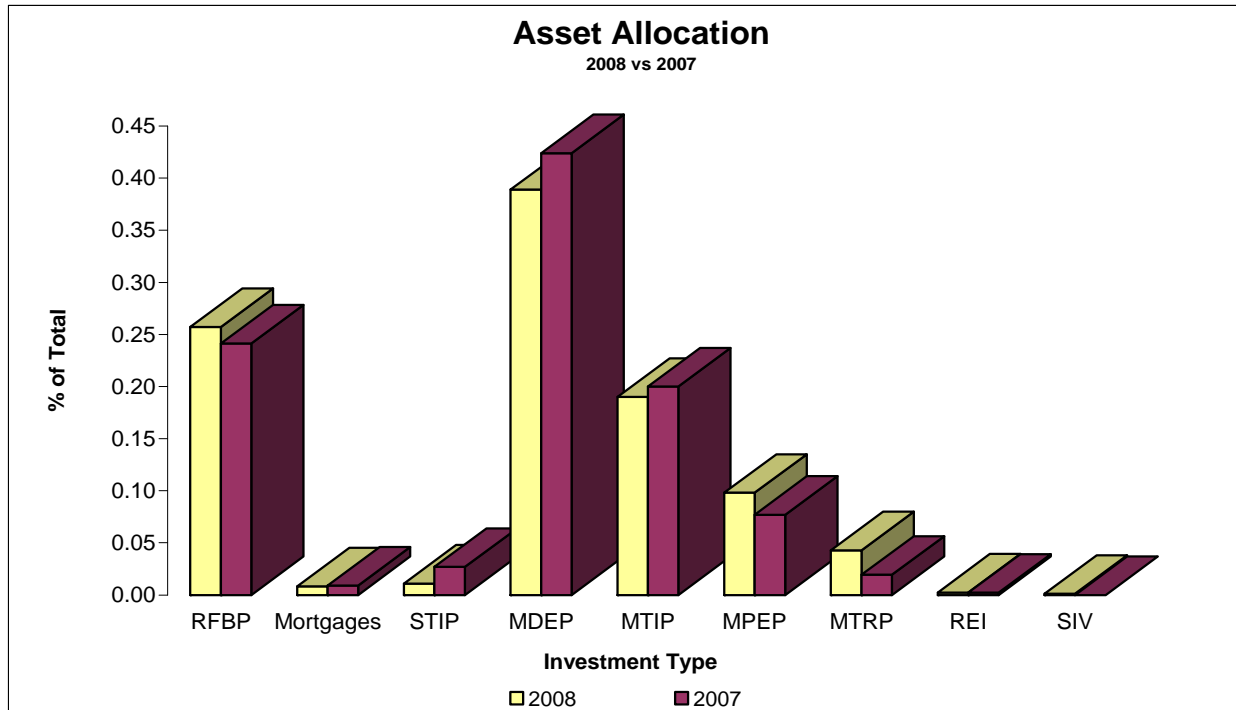
are "grossed up" to report the investment expense for the external manager, custodial bank fees and the BOI administrative cost. This process was implemented July 1, 1995, in compliance with GASB Statement 25.

Fiscal 2008 Administrative Expense Reconciliation to SABHRS										
	STIP	MDEP	MPEP	MTIP	MTRP	RFBP	AOF	Real Estate	AOF Pension Admin	Total
PERS	22,706.94	5,183,482.55	7,083,894.44	3,891,498.75	3,280,292.44	264,425.27	85,306.56	28,950.00	114,256.56	19,840,556.95
MPORS	1,230.66	263,858.97	355,459.89	194,633.27	164,525.02	13,759.52	-	-	-	993,467.33
GWPORS	617.02	95,492.33	127,823.11	71,246.11	61,141.42	4,989.76	-	-	-	361,309.75
SRS	1,391.86	253,216.59	336,027.40	185,249.33	159,576.83	13,275.91	-	-	-	948,737.92
JRS	391.67	78,972.36	106,896.49	58,274.81	49,990.28	4,169.57	-	-	-	298,695.18
HPORS	556.49	129,749.01	177,915.85	97,542.54	82,297.86	6,905.65	-	-	-	494,967.40
VFCA	220.47	33,887.22	46,792.29	25,425.02	21,036.40	1,769.50	-	-	-	129,130.90
FURS	1,274.52	252,314.49	340,561.49	185,175.12	157,594.64	13,173.39	-	-	-	950,093.65
Totals	28,389.63	6,290,973.52	8,575,370.96	4,709,044.95	3,976,454.89	322,468.57	85,306.56	28,950.00	114,256.56	24,016,959.08

PERS-DBRP

Asset Mix (fair value)
as of June 30, 2008 and 2007
(in thousands)

Investment Type	2008 Fair Value	% of Total	2007 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 988,124	25.73%	\$ 987,821	24.14%	\$ 303	0.03%
Montana Mortgages	31,837	0.83%	36,861	0.90%	(5,024)	-13.63%
STIP ¹	41,820	1.09%	109,910	2.69%	(68,090)	-61.95%
Total Fixed Income	\$ 1,061,781	27.65%	\$ 1,134,592	27.73%	\$ (72,811)	-6.42%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 1,494,306	38.89%	\$ 1,735,718	42.41%	\$ (241,412)	-13.91%
Montana International Pool (MTIP)	730,360	19.02%	818,362	20.00%	(88,002)	-10.75%
Montana Private Equity Pool (MPEP)	376,615	9.81%	315,059	7.70%	61,556	19.54%
Total Equities	\$ 2,601,281	67.72%	\$ 2,869,139	70.11%	\$ (267,858)	-9.34%
Alternative Investments:						
Montana Real Estate Pool (MTRP)	\$ 164,667	4.29%	\$ 79,459	1.94%	\$ 85,208	107.24%
Real Estate Investments (REI)	8,931	0.23%	8,816	0.22%	115	1.30%
Structured Investment Vehicles (SIV) ¹	4,306	0.11%			4,306	100.00%
Total Alternative Investments	\$ 177,904	4.63%	\$ 88,275	2.16%	\$ 89,629	101.53%
Total	\$ 3,840,966	100.00%	\$ 4,092,006	100.00%	\$ (251,040)	-6.13%



¹These figures only represent those of the Defined Benefit Retirement Plan. Where as the financial statements represent the Defined Benefit Retirement Plan and the Defined Benefit Education Program.

INVESTMENT SECTION

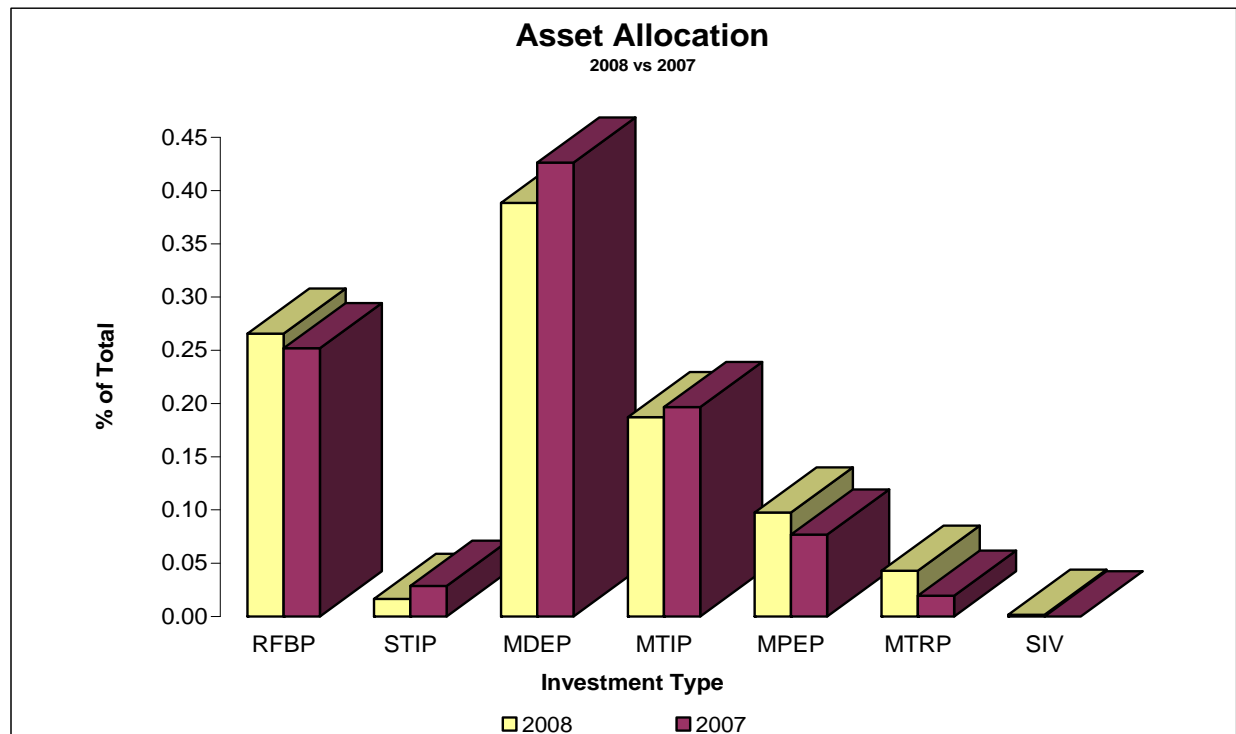
JRS

Asset Mix (fair value)

as of June 30, 2008 and 2007

(in thousands)

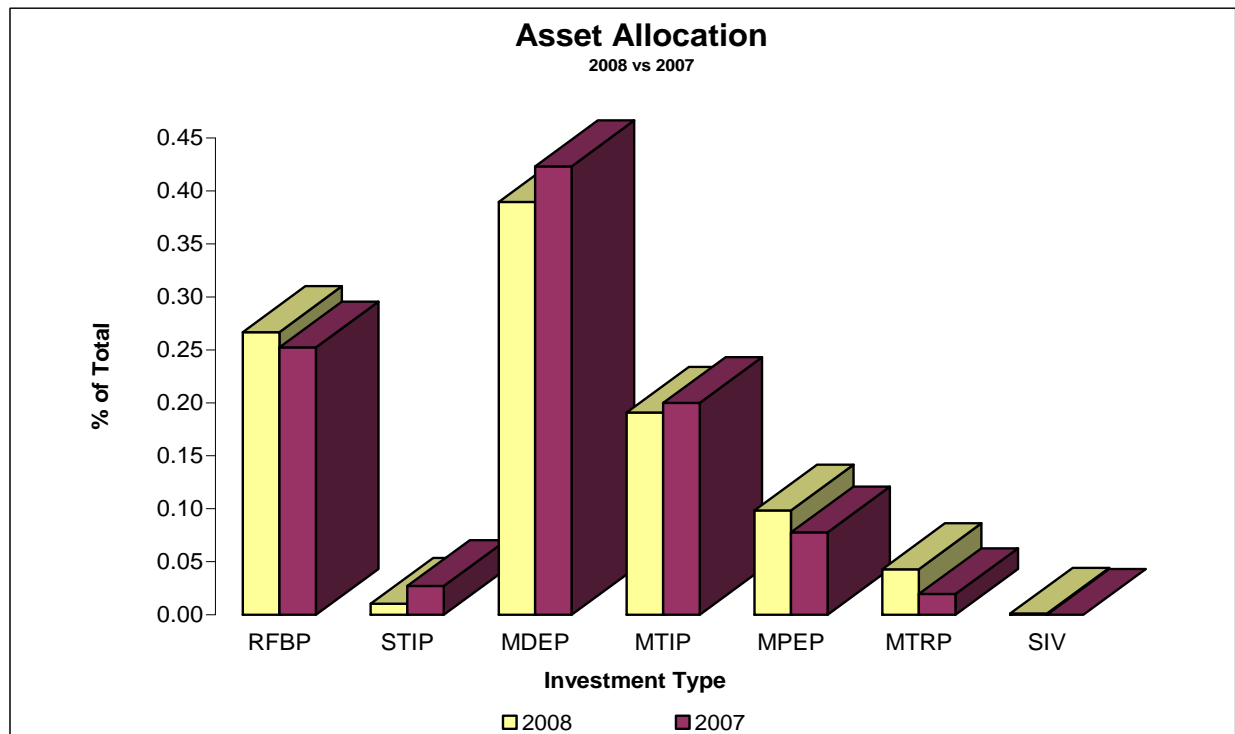
Investment Type	2008 Fair Value	% of Total	2007 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 15,581	26.56%	\$ 15,576	25.20%	\$ 5	0.03%
STIP	967	1.65%	1,770	2.86%	(803)	-45.37%
Total Fixed Income	\$ 16,548	28.21%	\$ 17,346	28.06%	\$ (798)	-4.60%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 22,790	38.85%	\$ 26,348	42.63%	\$(3,558)	-13.50%
Montana International Pool (MTIP)	10,973	18.71%	12,162	19.68%	(1,189)	-9.78%
Montana Private Equity Pool (MPEP)	5,733	9.77%	4,744	7.68%	989	20.85%
Total Equities	\$ 39,496	67.33%	\$ 43,254	69.99%	\$(3,758)	-8.69%
Alternative Investments:						
Montana Real Estate Pool (MTRP)	\$ 2,515	4.29%	\$ 1,206	1.95%	\$ 1,309	108.54%
Structured Investment Vehicles (SIV)	\$ 99	0.17%			99	100.00%
Total Alternative Investments	\$ 2,614	4.46%	\$ 1,206	1.95%	\$ 1,408	108.54%
Total	\$ 58,658	100.00%	\$ 61,806	100.00%	\$(3,148)	-5.09%



HPORS

Asset Mix (fair value)
as of June 30, 2008 and 2007
(in thousands)

Investment Type	2008 Fair Value	% of Total	2007 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 25,614	26.68%	\$ 25,897	25.24%	\$ (283)	-1.09%
STIP	1,014	1.05%	2,785	2.71%	(1,771)	-63.59%
Total Fixed Income	\$ 26,628	27.73%	\$ 28,682	27.95%	\$ (2,054)	-7.16%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 37,406	38.96%	\$ 43,439	42.32%	\$ (6,033)	-13.89%
Montana International Pool (MTIP)	18,307	19.07%	20,513	19.99%	(2,206)	-10.75%
Montana Private Equity Pool (MPEP)	9,429	9.83%	7,979	7.79%	1,450	18.17%
Total Equities	\$ 65,142	67.86%	\$ 71,931	70.10%	\$ (6,789)	-9.44%
Alternative Investments:						
Montana Real Estate Pool (MTRP)	\$ 4,127	4.30%	\$ 2,005	1.95%	\$ 2,122	105.84%
Structured Investment Vehicles (SIV)	\$ 104	0.11%			\$ 104	100.00%
Total Real Estate	\$ 4,231	4.41%	\$ 2,005	1.95%	\$ 2,226	105.84%
Total	\$ 96,001	100.00%	\$ 102,618	100.00%	\$ (6,617)	-6.45%

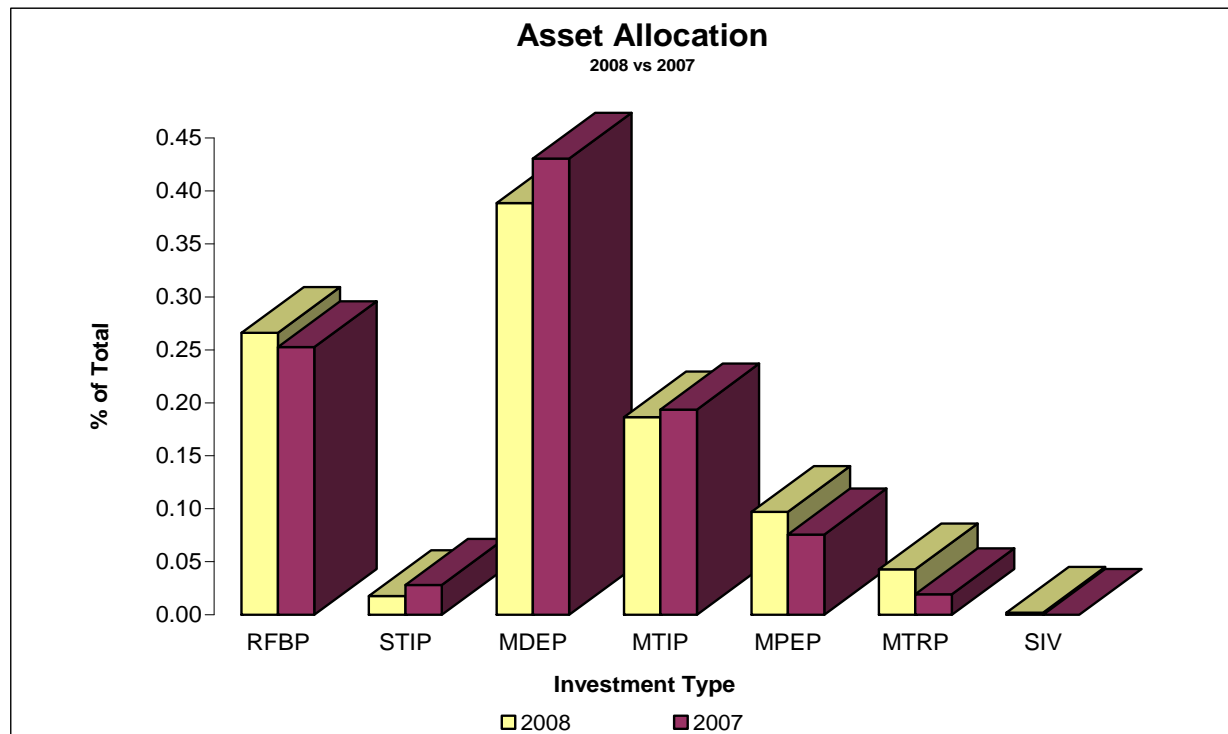


INVESTMENT SECTION

SRS

Asset Mix (fair value) as of June 30, 2008 and 2007 (in thousands)

Investment Type	2008 Fair Value	% of Total	2007 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 50,063	26.61%	\$ 49,551	25.25%	\$ 512	1.03%
STIP	3,300	1.75%	5,526	2.82%	(2,226)	-40.28%
Total Fixed Income	\$ 53,363	28.36%	\$ 55,077	28.07%	\$ (1,714)	-3.11%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 73,074	38.84%	\$ 84,481	43.06%	\$(11,407)	-13.50%
Montana International Pool (MTIP)	35,060	18.63%	38,003	19.37%	(2,943)	-7.74%
Montana Private Equity Pool (MPEP)	18,271	9.71%	14,859	7.57%	3,412	22.96%
Total Equities	\$ 126,405	67.18%	\$ 137,343	70.00%	\$(10,938)	-7.96%
Alternative Investments:						
Montana Real Estate Pool (MTRP)	\$ 8,054	4.28%	\$ 3,796	1.93%	\$ 4,258	112.17%
Structured Investment Vehicles (SIV)	340	0.18%			340	100.00%
Total Alternative Investments	\$ 8,394	4.46%	\$ 3,796	1.93%	\$ 4,598	121.13%
Total	\$ 188,162	100.00%	\$ 196,216	100.00%	\$ (8,054)	-4.10%

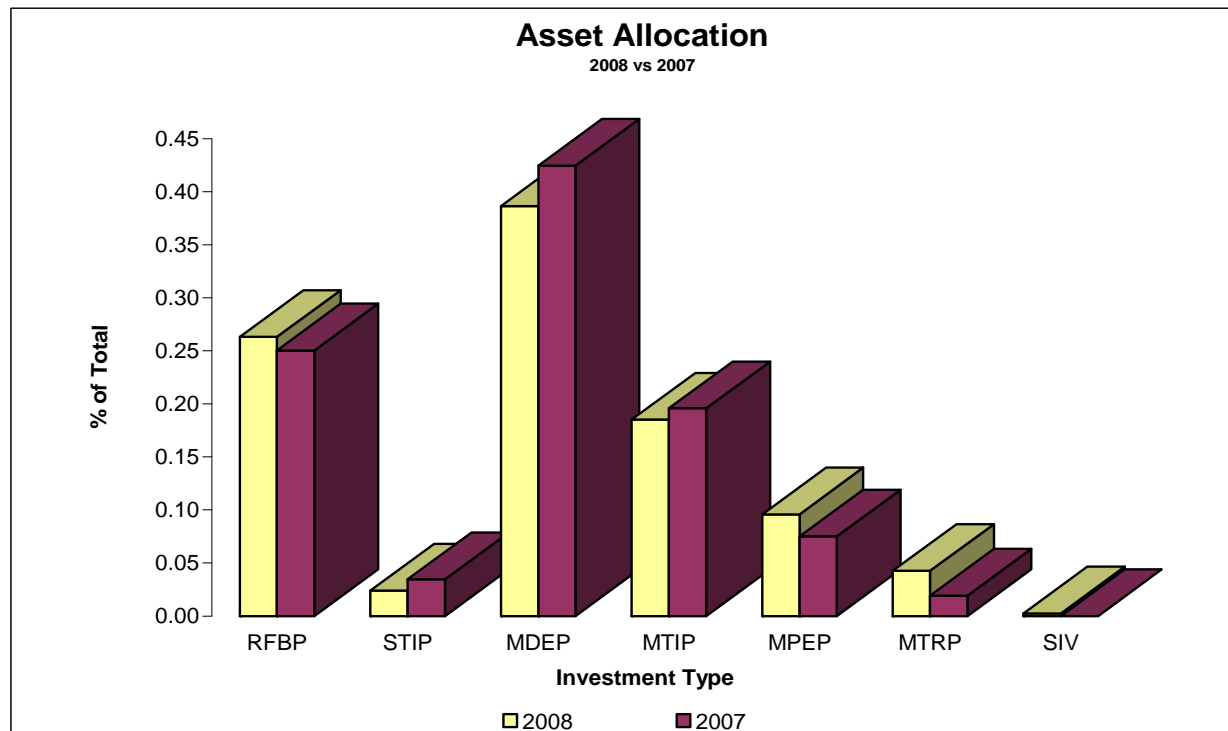


INVESTMENT SECTION

GWPORS

Asset Mix (fair value)
as of June 30, 2008 and 2007
(in thousands)

Investment Type	2008 Fair Value	% of Total	2007 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 19,243	26.32%	\$ 18,331	25.04%	\$ 912	4.98%
STIP	1,761	2.41%	2,536	3.46%	(775)	-30.56%
Total Fixed Income	\$ 21,004	28.73%	\$ 20,867	28.50%	\$ 137	0.66%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 28,272	38.66%	\$ 31,082	42.47%	\$ (2,810)	-9.04%
Montana International Pool (MTIP)	13,545	18.52%	14,344	19.60%	(799)	-5.57%
Montana Private Equity Pool (MPEP)	7,008	9.58%	5,497	7.51%	1,511	27.49%
Total Equities	\$ 48,825	66.76%	\$ 50,923	69.58%	\$ (2,098)	-4.12%
Alternative Investments:						
Montana Real Estate Pool (MTRP)	\$ 3,115	4.26%	\$ 1,404	1.92%	\$ 1,711	121.87%
Structured Investment Vehicles (SIV)	181	0.25%			181	
Total Alternative Investments	\$ 3,296	4.51%	\$ 1,404	1.92%	\$ 1,892	134.76%
Total	\$ 73,125	100.00%	\$ 73,194	100.00%	\$ (69)	-0.09%

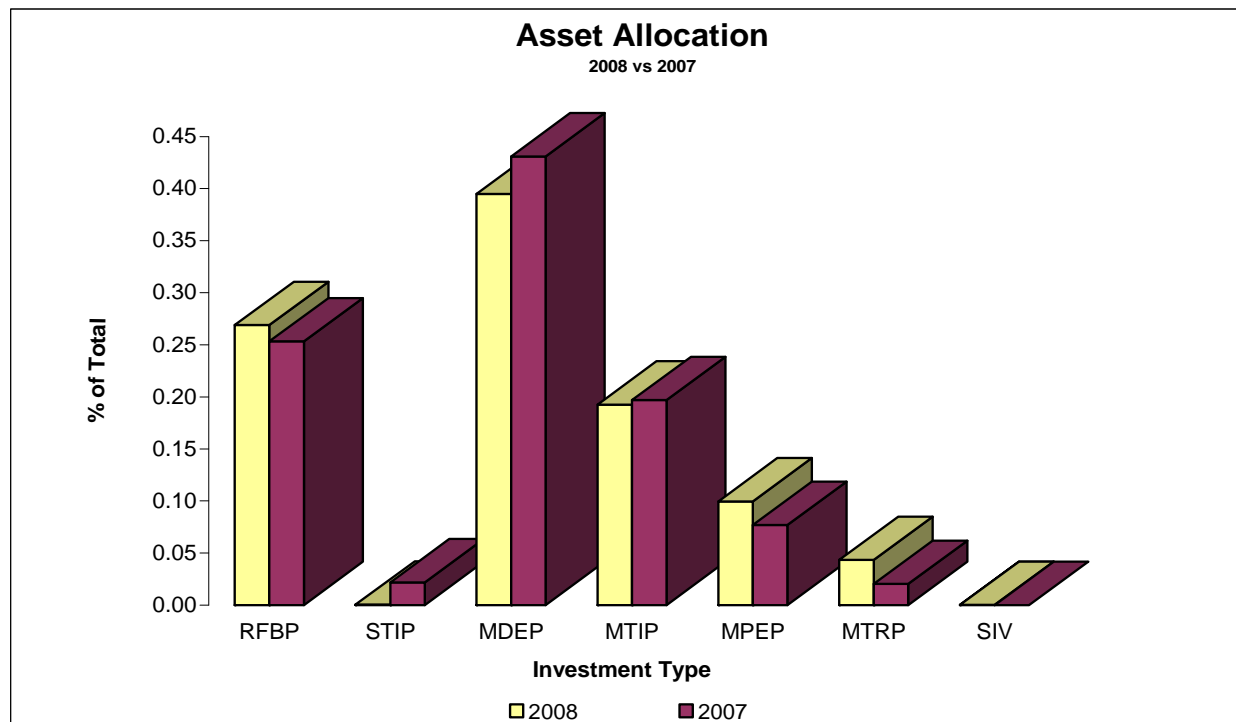


INVESTMENT SECTION

MPORS

Asset Mix (fair value)
as of June 30, 2008 and 2007
(in thousands)

Investment Type	2008 Fair Value	% of Total	2007 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 51,238	26.88%	\$ 51,176	25.32%	\$ 62	0.12%
STIP	85	0.04%	4,404	2.18%	(4,319)	-98.07%
<i>Total Fixed Income</i>	<i>\$ 51,323</i>	<i>26.92%</i>	<i>\$ 55,580</i>	<i>27.50%</i>	<i>\$ (4,257)</i>	<i>-7.66%</i>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 75,279	39.50%	\$ 87,099	43.10%	\$ (11,820)	-13.57%
Montana International Pool (MTIP)	36,707	19.26%	39,784	19.68%	(3,077)	-7.73%
Montana Private Equity Pool (MPEP)	18,999	9.97%	15,547	7.69%	3,452	22.20%
<i>Total Equities</i>	<i>\$ 130,985</i>	<i>68.73%</i>	<i>\$ 142,430</i>	<i>70.47%</i>	<i>\$ (11,445)</i>	<i>-8.04%</i>
Alternative Investments:						
Montana Real Estate Pool (MTRP)	\$ 8,274	4.34%	\$ 4,102	2.03%	\$ 4,172	101.71%
Structured Investment Vehicles (SIV)	9	0.01%			9	
<i>Total Alternative Investments</i>	<i>\$ 8,283</i>	<i>4.35%</i>	<i>\$ 4,102</i>	<i>2.03%</i>	<i>\$ 4,181</i>	<i>101.93%</i>
Total	\$ 190,591	100.00%	\$ 202,112	100.00%	\$ (11,521)	-5.70%

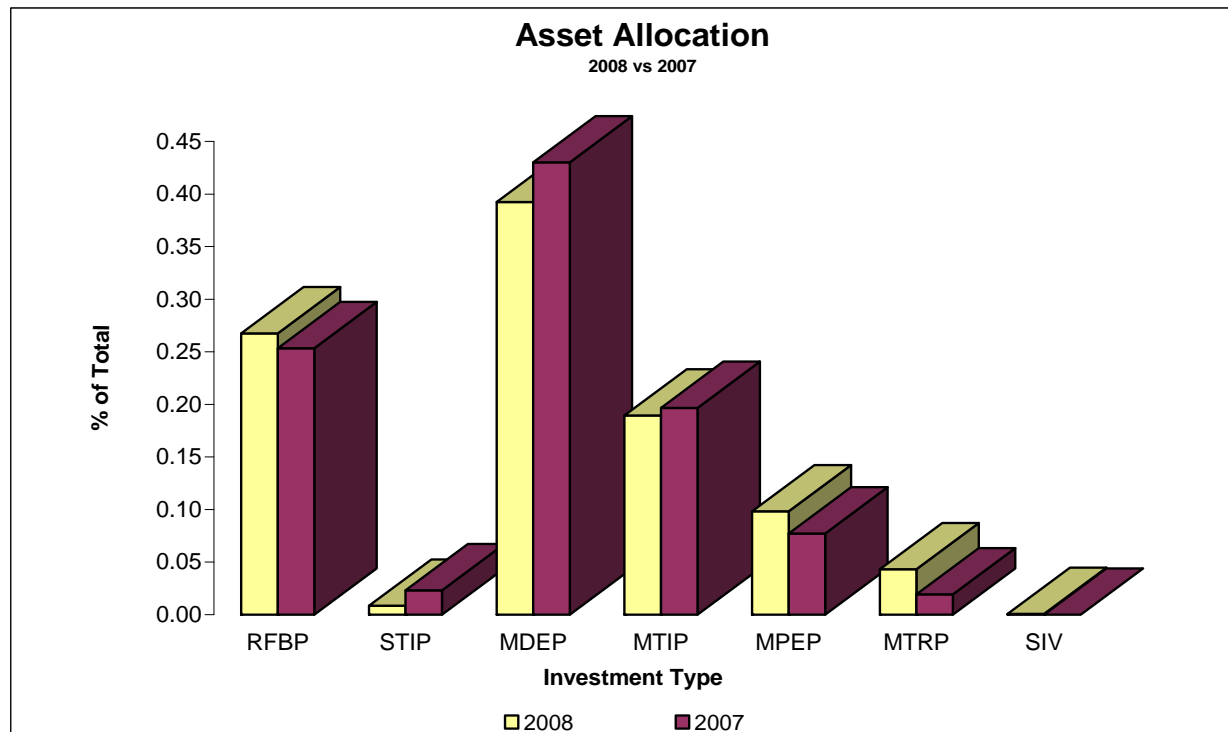


INVESTMENT SECTION

FURS

Asset Mix (fair value)
as of June 30, 2008 and 2007
(in thousands)

Investment Type	2008 Fair Value	% of Total	2007 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 49,419	26.75%	\$ 48,813	25.35%	\$ 606	1.24%
STIP	1,573	0.85%	4,488	2.33%	(2,915)	-64.95%
Total Fixed Income	\$ 50,992	27.60%	\$ 53,301	27.68%	\$ (2,309)	-4.33%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 72,476	39.23%	\$ 82,766	43.00%	\$ (10,290)	-12.43%
Montana International Pool (MTIP)	34,970	18.93%	37,848	19.67%	(2,878)	-7.60%
Montana Private Equity Pool (MPEP)	18,175	9.84%	14,850	7.71%	3,325	22.39%
Total Equities	\$ 125,621	68.00%	\$ 135,464	70.38%	\$ (9,843)	-7.27%
Alternative Investments:						
Montana Real Estate Pool (MTRP)	\$ 7,962	4.31%	\$ 3,744	1.94%	\$ 4,218	100.00%
Structured Investment Vehicles (SIV)	162	0.09%			162	
Total Alternative Investments	\$ 8,124	4.40%	\$ 3,744	1.94%	\$ 4,380	116.99%
Total	\$ 184,737	100.00%	\$ 192,509	100.00%	\$ (7,772)	-4.04%



INVESTMENT SECTION

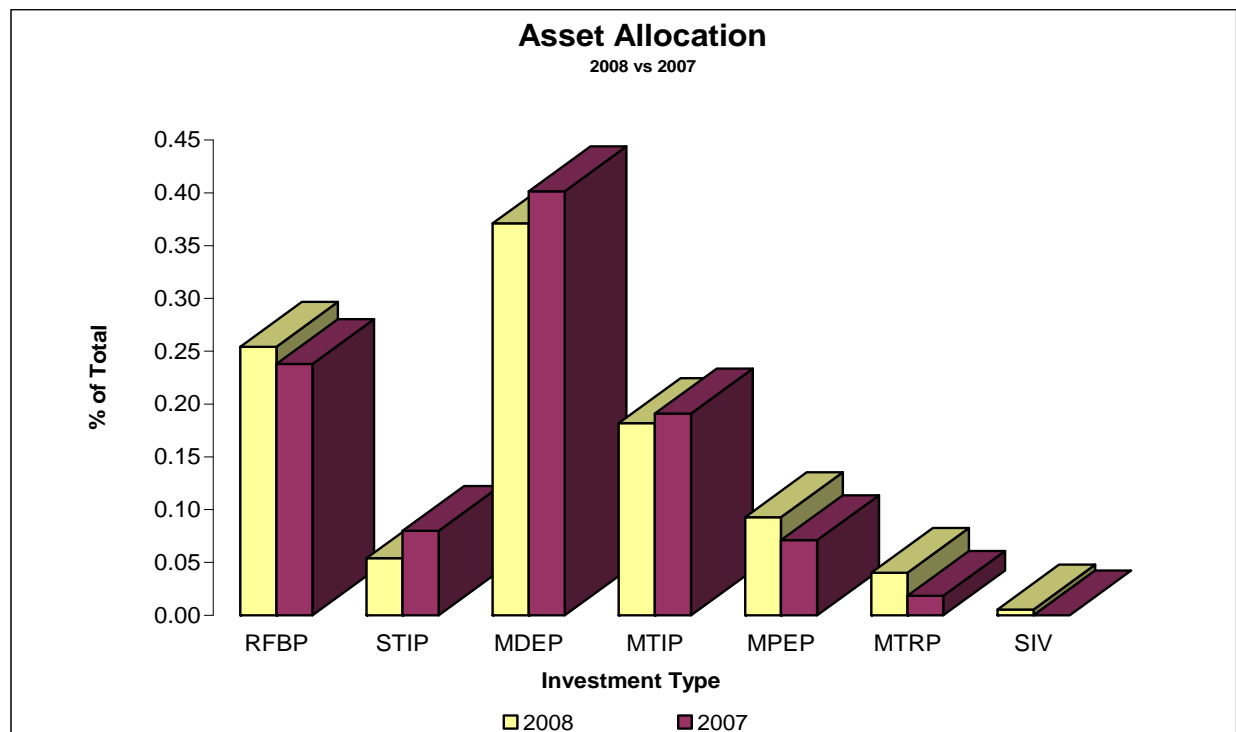
VFCA

Asset Mix (fair value)

as of June 30, 2008 and 2007

(in thousands)

Investment Type	2008 Fair Value	% of Total	2007 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 6,609	25.43%	\$ 6,542	23.80%	\$ 67	1.02%
STIP	1,404	5.40%	2,194	7.98%	(790)	-36.01%
Total Fixed Income	\$ 8,013	30.83%	\$ 8,736	31.78%	\$ (723)	-8.28%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 9,645	37.11%	\$ 11,043	40.17%	\$(1,398)	-12.66%
Montana International Pool (MTIP)	4,731	18.20%	5,258	19.12%	(527)	-10.02%
Montana Private Equity Pool (MPEP)	2,411	9.28%	1,951	7.10%	460	23.58%
Total Equities	\$ 16,787	64.59%	\$ 18,252	66.39%	\$(1,465)	-8.03%
Alternative Investments:						
Montana Real Estate Pool (MTRP)	\$ 1,047	4.03%	\$ 504	1.83%	\$ 543	107.74%
Structured Investment Vehicles (SIV)	145	0.55%			145	
Total Alternative Investments	\$ 1,192	4.58%	\$ 504	1.83%	\$ 688	107.74%
Total	\$ 25,992	100.00%	\$ 27,492	100.00%	\$(1,500)	-5.46%



Public Employees' Retirement Board

*A Component Unit of the State of Montana***Largest Holdings (by portfolio fair value)
as of June 30, 2008**

A complete list of the portfolio holdings can be obtained by contacting the Montana Board of Investments.
The information below is PERB's presentation of the largest holdings.

Shares/Par	MDEP Portfolio	Fair Value
2,011,847	BGI Equity Index Fund	\$ 744,236,640
6,011,481	T Rowe Price	199,642,816
4,973,814	JP Morgan Investments	187,918,039
5,892,731	INTECH	183,071,350
10,084,703	Barrow Hanley MeWhinney	181,886,892
13,632,891	Western Asset US Index Plus LLC	164,767,126
7,896,183	Columbus Circle	148,403,430
4,672,155	Renaissance Investments	145,212,364
7,378,954	Rainier Investments	144,401,083
4,508,061	Quantitative Management	122,804,963

PERS' 10,542,411 shares represent 50.39% of the total MDEP portfolio at market.

JRS' 160,784 shares represent 0.77% of the total MDEP portfolio at market.

HPORS' 263,903 shares represent 1.26% of the total MDEP portfolio at market.

SRS' 515,539 shares represent 2.46% of the total MDEP portfolio at market.

GWPORS' 199,458 shares represent 0.95% of the total MDEP portfolio at market.

MPORS' 531,097 shares represent 2.54% of the total MDEP portfolio at market.

FURS' 511,321 shares represent 2.44% of the total MDEP portfolio at market.

VFCA's 68,047 shares represent 0.33% of the total MDEP portfolio at market.

Shares/Par	RFBP Portfolio	Fair Value
35,000,000	Freddie Mac	\$ 35,127,327
30,000,000	DOT Headquarters II Lease Mtg	30,034,200
22,576,658	Federal Home Loan Pool G03458	27,186,069
27,348,640	Federal Home Loan Pool G03037	26,961,281
25,368,105	FNMA Pool 256600	25,240,362
25,000,000	Aria CDO II Jersey No 1 LTD	24,933,750
30,000,000	Seariver Maritime Finl Holdings	24,631,204
24,459,005	Federal Home Loan Pool G11812	24,301,763
24,000,000	United States Tres Nts	24,037,440
25,000,000	Bishopsgate CDO LTD	23,420,000

PERS' 983,177,607 shares represent 49.61% of the total RFBP portfolio at market.

JRS' 15,503,122 shares represent 0.78% of the total RFBP portfolio at market.

HPORS' 25,485,370 shares represent 1.29% of the total RFBP portfolio market.

SRS' 49,812,846 shares represent 2.51% of the total RFBP portfolio at market.

GWPORS' 19,146,277 shares represent 0.97% of the total RFBP portfolio at market.

MPORS' 50,981,212 shares represent 2.57% of the total RFBP portfolio at market.

FURS' 49,171,232 shares represent 2.48% of the total RFBP portfolio market.

VFCA's 6,575,969 shares represent 0.33% of the total RFBP portfolio market.

INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value)

as of June 30, 2008

Shares/Par	MTIP Portfolio - Currency	Fair Value
13,642,017	Batterymarch	\$ 185,361,157
11,144,279	Julius Baer	177,424,433
10,300,478	BGI MSCI Equity Indes FD Europ	155,043,812
21,777,050	Acadian	140,736,998
8,110,175	Bernstein	132,663,630
10,008,125	Martin Currie	126,424,143
8,252,488	Hansberger	118,230,800
5,048,801	BGI Global Ex US Alpha Tilt FD	117,096,633
21,227,990	Nomura	88,971,518
5,085,601	Principal	68,322,320

PERS' 4,152,606 shares represent 50.80% of the total MTIP portfolio at market.

JRS' 62,389 shares represent 0.76% of the total MTIP portfolio at market.

HPORS' 104,087 shares represent 1.27% of the total MTIP portfolio at market.

SRS' 199,340 shares represent 2.44% of the total MTIP portfolio at market.

GWPORS' 77,015 shares represent 0.94% of the total MTIP portfolio at market.

MPORS' 208,704 shares represent 2.55% of the total MTIP portfolio at market.

FURS' 198,830 shares represent 2.43% of the total MTIP portfolio at market.

VFCA's 26,899 shares represent 0.33% of the total MTIP portfolio at market.

Shares/Par	MPEP Portfolio	Fair Value
184,993,886	Adams Street	\$ 213,905,012
42,043,055	Welsh Carson	55,295,005
30,463,525	Lexington	54,877,081
39,887,294	Madison Dearborn	51,042,289
40,606,539	Carlyle	44,341,656
31,328,674	KKR	33,302,222
32,175,265	Arclight	33,251,388
22,287,066	Oak Hill	28,272,370
17,469,586	Lehman Brothers	22,667,557
18,521,706	First Reserve	20,279,546

PERS' 2,067,959 shares represent 50.61% of the total MPEP portfolio at market.

JRS' 31,482 shares represent 0.77% of the total MPEP portfolio at market.

HPORS' 51,772 shares represent 1.27% of the total MPEP portfolio at market.

SRS' 100,322 shares represent 2.46% of the total MPEP portfolio at market.

GWPORS' 38,480 shares represent 0.94% of the total MPEP portfolio at market.

MPORS' 104,320 shares represent 2.55% of the total MPEP portfolio at market.

FURS' 99,800 shares represent 2.44% of the total MPEP portfolio at market.

VFCA's 13,241 shares represent 0.32% of the total MPEP portfolio at market.

Public Employees' Retirement Board

*A Component Unit of the State of Montana***Largest Holdings (by portfolio fair value)****as of June 30, 2008**

Shares/Par	MTRP Portfolio		Fair Value
37,898	JP Morgan Chase Bank Strategic Properties	\$	72,327,177
31,957	Clarion Lion Properties Fund		49,193,888
309	Invesco Core Real Estate		46,223,196
21,500,000	Hudson Realty Capital Fund IV		21,804,333
16,000,000	TA Associates Realty Fund VIII		16,540,560
13,724,239	Strategic Partners Value Enhancement Fund		15,535,633
14,961,499	JER Real Estate Partners Fund IV		14,740,039
13,845,514	ABR Chesapeake Fund III		14,534,204
12,500,000	Beacon Capital Partners Fund V		12,097,988
13,600,275	Morgan Stanley Real Estate Fund VI International		11,768,644

PERS' 1,568,226 shares represent 50.02% of the total MPEP portfolio at market.

JRS' 23,954 shares represent 0.76% of the total MPEP portfolio at market.

HPORS' 39,300 shares represent 1.25% of the total MPEP portfolio at market.

SRS' 76,702 shares represent 2.45% of the total MPEP portfolio at market.

GWPORS' 29,664 shares represent 0.95% of the total MPEP portfolio at market.

MPORS' 78,798 shares represent 2.51% of the total MPEP portfolio at market.

FURS' 75,825 shares represent 2.42% of the total MPEP portfolio at market.

VFCA's 9,969 shares represent 0.32% of the total MPEP portfolio at market.

Shares/Par	Mortgages Portfolio		Fair Value
195,686,203	Montana Coal Tax Trust Loans	\$	195,686,203
59,702,382	Montana Residential Mortgages		58,957,838

PERS' 32,239,286 shares represent 12.5% of the total Mortgages portfolio at market.

INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Investment Summary

as of June 30, 2008

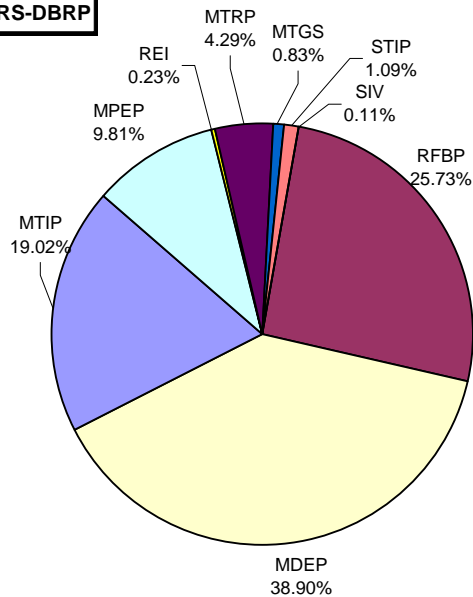
(in thousands)

Type of Investment	PERS-DBRP		JRS		HPORS		SRS	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
<i>Fixed Income</i>								
Retirement Funds Bond Pool	\$ 988,124	25.73%	\$ 15,581	26.56%	\$ 25,614	26.68%	\$ 50,063	26.61%
<i>Equities</i>								
Montana Domestic Equity Pool	1,494,306	38.89%	22,790	38.85%	37,406	38.96%	73,074	38.84%
Montana International Pool	730,360	19.02%	10,973	18.71%	18,307	19.07%	35,060	18.63%
Montana Private Equity Pool	376,615	9.81%	5,733	9.77%	9,429	9.83%	18,271	9.71%
<i>Alternative Investments</i>								
Real Estate Investments	8,931	0.23%						
Montana Real Estate Pool	164,667	4.29%	2,515	4.29%	4,127	4.30%	8,054	4.28%
Mortgages	31,837	0.83%						
Structured Investment Vehicles ¹	4,306	0.11%	99	0.17%	104	0.11%	340	0.18%
<i>Short Term Investments</i>								
Short Term Investment Pool ¹	41,820	1.09%	967	1.65%	1,014	1.05%	3,300	1.75%
Total	\$ 3,840,966	100.00%	\$ 58,658	100.00%	\$ 96,001	100.00%	\$ 188,162	100.00%

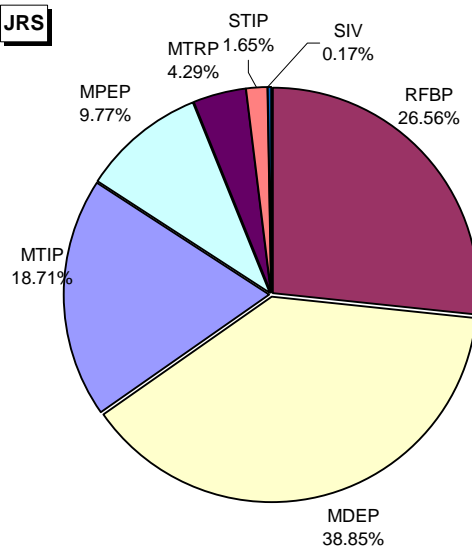
¹These figures only represent those of the Defined Benefit Retirement Plan. Where as the financial statements represent the Defined Benefit Retirement Plan and the Defined Benefit Education Program.

INVESTMENT SECTION

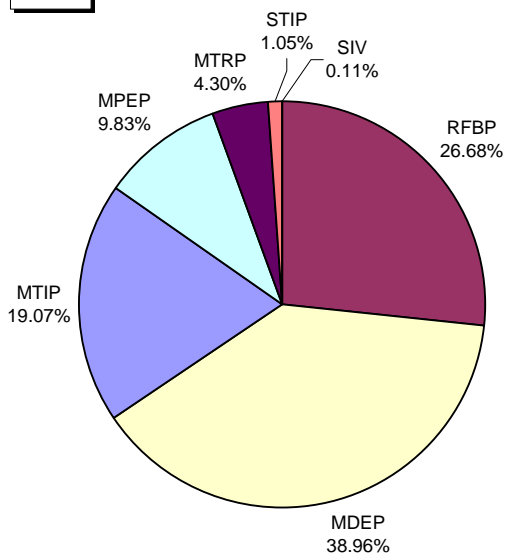
PERS-DBRP



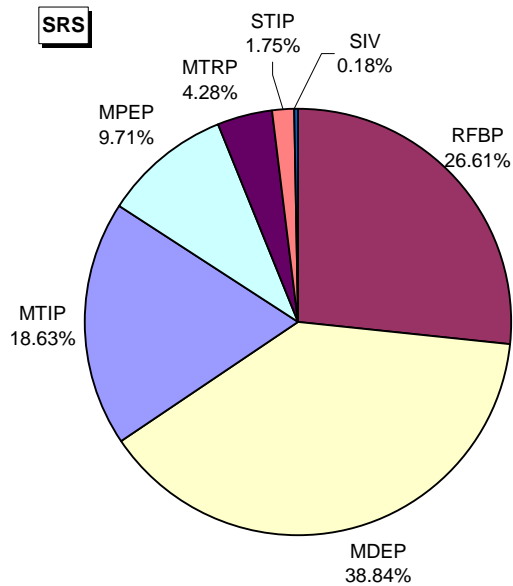
JRS



HPORS



SRS



Retirement Funds Bond Pool - RFBP
Montana Domestic Equity Pool - MDEP
Montana International Pool - MTIP
Montana Private Equity Pool - MPEP
Structured Investment Vehicles - SIV

Real Estate Investment - REI
Montana Real Estate Pool - MTRP
Mortgages - MTGS
Short Term Investment Pool - STIP

INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Investment Summary

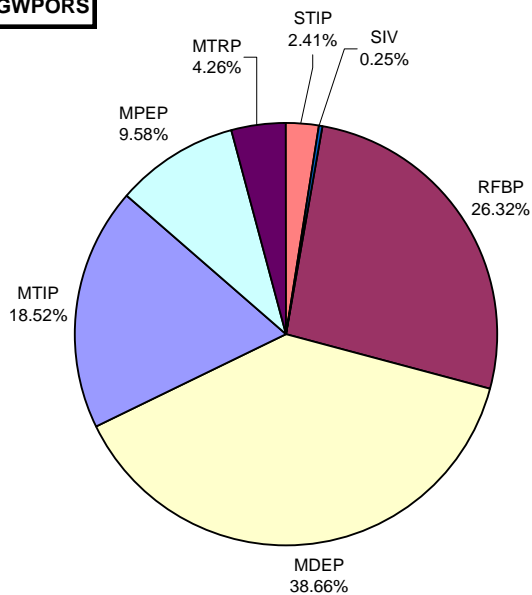
as of June 30, 2008

(in thousands)

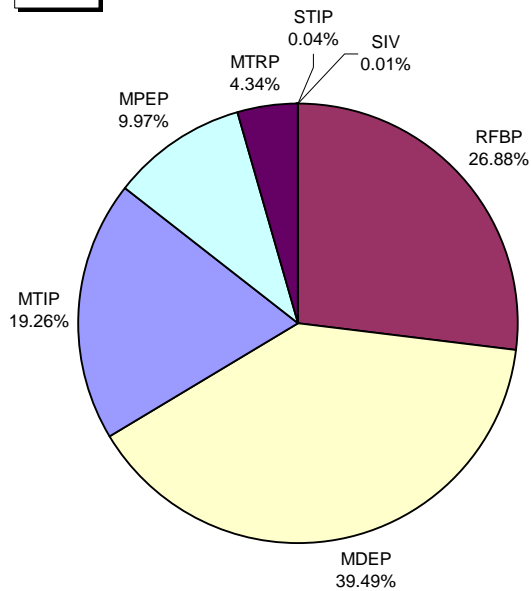
Type of Investment	GWPRS		MPORS		FURS		VFCA	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
<i>Fixed Income</i>								
Retirement Funds Bond Pool	\$ 19,243	26.32%	\$ 51,238	26.88%	\$ 49,419	26.75%	\$ 6,609	25.43%
<i>Equities</i>								
Montana Domestic Equity Pool	28,272	38.66%	75,279	39.50%	72,476	39.23%	9,646	37.11%
Montana International Pool	13,545	18.52%	36,707	19.26%	34,970	18.93%	4,731	18.20%
Montana Private Equity Pool	7,008	9.58%	18,999	9.97%	18,175	9.84%	2,411	9.28%
<i>Alternative Investments</i>								
Real Estate Investments								
Montana Real Estate Pool	3,115	4.26%	8,274	4.34%	7,962	4.31%	1,046	4.03%
Mortgages								
Structured Investment Vehicles	181	0.25%	9	0.01%	162	0.09%	145	0.55%
<i>Short Term Investments</i>								
Short Term Investment Pool	1,761	2.41%	85	0.04%	1,573	0.85%	1,404	5.40%
Total	\$ 73,125	100.00%	\$ 190,591	100.00%	\$ 184,737	100.00%	\$ 25,992	100.00%

INVESTMENT SECTION

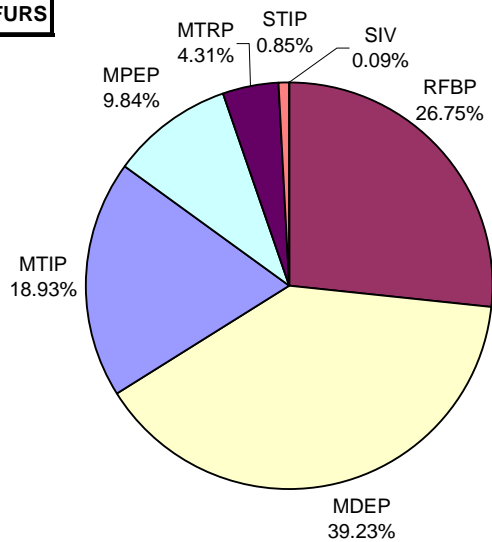
GWPORS



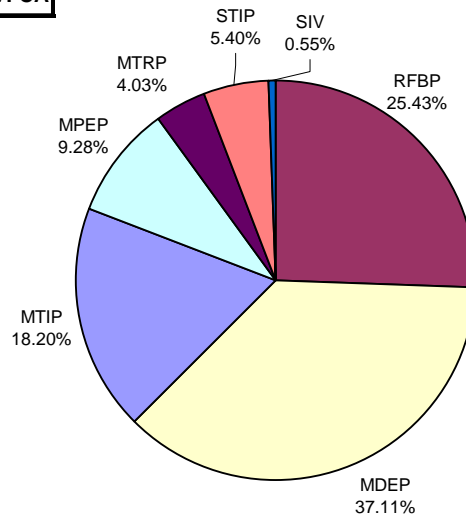
MPORS



FURS



VFCA



Retirement Funds Bond Pool - RFBP	Montana Real Estate Pool - MTRP
Montana Domestic Equity Pool - MDEP	Short Term Investment Pool - STIP
Montana International Pool - MTIP	Structured Investment Vehicles - SIV
Montana Private Equity Pool - MPEP	

INVESTMENT SECTION

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